

2008-2009 PERFORMANCE PLAN – Sr. Investment Officer, Asset Allocation / Risk Mgmt. (F. Majeed)

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Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	2 nd Quarter Status Update
40%	Total Fund Performance	Excess return deviation in basis points relative to: Total Fund Performance Benchmark. {SJ1CA1 – CPERST02}	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	-355 bps {(23.06) – (19.51)}
25%	Inflation-Linked Asset Class (ILAC)	Excess return in basis points relative to benchmark. {SX2CA1 – CPERSCP4 <u>CPILAG4</u> }	0 basis points = 0 +30 basis points = 1 +50 basis points = 1.5	-2,359 {(23.50) - 0.09}
65%	Subtotal	Qualitative Measures		

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	2 nd Quarter Status Update
10%	Asset Allocation	Improve and develop methodology for active asset allocation decisions by developing relative valuation and other metrics and a systematic process.	From Schedule	Completed – AA discussion and decisions now supported by valuation analysis, metrics and rankings.
15%	Leadership	<p>Demonstrate a commitment to leadership and ongoing communication within the Investment Office and in the external investment community as follows:</p> <ul style="list-style-type: none"> • Employee Performance and Development – By 6/30/09 ensure 90% completion rate for annual performance appraisals and employee development plans. • Employee Mentoring and Recognition – By 6/30/09, take proactive steps to coach and mentor employees, provide succession planning, and acknowledge staff (e.g. through activities such as providing training and development opportunities, holding recognition events, and effectuating the transfer of knowledge) • 360 Feedback Process – <ul style="list-style-type: none"> • By 12/1/08 begin the individual 360 feedback survey assessment process. • By 2/1/09 identify one to two areas of personal development. • By 6/30/09, participate in all personal coaching sessions provided and complete the development opportunity identified. 	From schedule	<p>Employee Performance & Development -On schedule. 80% completed as of 12/31/08.</p> <p>Employee Mentoring & Recognition -7 unit staff members attended 13 conferences/training programs, both on and off-site. Entire staff participated in the Senn-Delaney team building workshops.</p> <p>360 Feedback Process -Completed 360 survey process. -identified two areas of development. -currently participating in coaching sessions</p>

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	2 nd Quarter Status Update
		<ul style="list-style-type: none"> • Investment Office Strategic Initiatives and Cultural Alignment – Ensure the successful implementation of the strategy and cultural alignment efforts by completing the following: <ul style="list-style-type: none"> • By 9/30/08, identify from our cultural profile an area in which we need to improve our culture and implement an improvement in my area by 3/30/09. • By 12/31/08, participate in a cultural reinforcement session with the Investment Office. • By 6/30/09, participate in the implementation of at least one Investment Office strategic initiative. • By 6/30/09, contribute to healthy dynamics and cultural alignment in the Investment Office (e.g. by demonstrating productive participation in meetings, communicating across asset classes, and clearly setting and communicating priorities) • External Investment Community – By 6/30/09, represent CalPERS in the external investment community through a meaningful and substantive engagement as follows: <ul style="list-style-type: none"> • Serve on at least one external board or committee; or • Conduct at least one presentation at conference or similar event; or • Write an article. • Diversity - By June 30, 2009, actively promote and achieve diversity among our investment partners and staff by doing at least two of the following: <ul style="list-style-type: none"> • <u>Participate in at least one event designed to recruit staff to CalPERS</u> • <u>Participate in at least one outreach, education, or networking event that supports diversity in the public pension fund partner/manager community</u> • <u>Identify and gain approval for a diversity related initiative or project in the Investment Office or in the CalPERS enterprise(e.g., identify and implement a new emerging manager program, suggest and obtain approval for an outreach or educational event, identify and eliminate a requirement in an existing program that may serve as an artificial hurdle for new and emerging firms, or identify and implement an expansion or enhancement to an existing diversity program or effort)</u> 		<p>Strategic Initiatives & Cultural Alignment Led group to develop vision and strategic initiatives.</p> <p>Participated in the Senn Delaney sessions and cross asset class initiatives</p> <p>Risk Management Project identified as Strategic Initiative.</p> <p>External Investment Community 7/24/2008 presented Asset Allocation workshop at CFA Institute, Chicago IL; and 10/30 to 10/31/2009, Pacific Pension Institute, Kyoto, Japan, served as panelist and presented asset allocation workshop at Roundtable Conference.</p> <p>Diversity Participated in the TOIGO Foundation recruitment events at CalPERS and presented information on functional areas.</p>

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	2 nd Quarter Status Update
5%	Currency	Continue currency discussion with IC and develop currency strategy for total fund in collaboration with the units by 12/31/08, subject to direction from CIO or IC.	From Schedule	Recommendations submitted to IC in December 08 and approved.
5%	Risk Management	Direct Risk Management Unit to: <ol style="list-style-type: none"> 1. Develop and present risk reports to IC to monitor components of total fund risk. 2. Improve risk measurement and monitoring across the total fund and asset classes. 	From Schedule	<ol style="list-style-type: none"> 1. Risk reports submitted quarterly. 2. Progressing on schedule.
35%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		